

COMMONWEALTH OF KENTUCKY  
**DEPARTMENT OF REVENUE**  
FRANKFORT  
40620  
revenue.ky.gov

December 17, 2008

U. S. GENERAL SERVICES ADMINISTRATION  
OFFICE OF CHARGE CARD MANAGEMENT  
2200 CRYSTAL DRIVE ROOM 500  
ARLINGTON VA 22202

RE: SALES TAX EXEMPTION

This letter is in response to your correspondence of July 16, 2008 requesting exemption from sales tax for Federal Government purchases made under the United States General Services Administration (GSA) SmartPay charge card program. The GSA SmartPay program provides charge card services to Federal government agencies/organizations for conducting official business. The program consists of four business lines: purchase charge cards for purchasing supplies and services to support U.S. government missions, travel cards for official government travel & travel related expenses, fleet charge cards for government vehicle fuel and maintenance requirements, and integrated charge cards, which combine two or more of the business lines. The GSA SmartPay program will be effective November 30, 2008 through November 29, 2018. You asked that Kentucky review and rescind any requirement for the U.S. Federal Government to provide tax exemption certification when a GSA SmartPay 2 charge card is used as the method of payment.

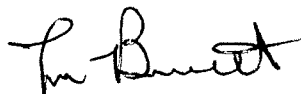
KRS 139.470 extends tax exempt status to sales to federal, state and local government agencies. 103 KAR 30:235 (3) further narrows this exemption to be only for sales made directly to those government agencies. Therefore, purchases made on a credit card billed directly to and paid directly by the federal government are exempt from sales tax. This exemption does not apply to government employee purchases subsequently reimbursed by the federal government.

According to your website the GSA SmartPay 2 cards can be uniquely identified by unique prefixes and account numbers, government-designed artwork and wording that indicates that the card is for official transactions for the U.S. Government. Fleet cards and purchase cards that begin with the following prefixes (1<sup>st</sup> 4 digits), are always centrally billed to the Federal Government and would be exempt from Kentucky sales tax: 4486, 4614, 4716, 5565, 5568, and 8699. Travel and Integrated cards begin with the same 4 digit prefixes; however, they may be billed directly to the Federal government or billed to the Federal Government employee for reimbursement. Cards with the 6<sup>th</sup> digit of 0,6,7,8 and 9 are billed directly to the Federal Government and purchases made on those cards would be exempt from Kentucky sales tax. Cards with the 6<sup>th</sup> digit of 1, 2, 3, and 4 are billed to the Federal Government employee for reimbursement and would therefore be subject to Kentucky sales tax. There is no requirement that any exemption certificate or letter be issued on those purchases made on cards directly billed to the Federal Government.

This correspondence is based upon the circumstances and facts presented in your letter and upon current Kentucky tax laws, regulations and policies. Any change in the tax laws, regulations, or policies could affect this opinion. If you have any further questions please contact me at the address or telephone number listed below.

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[revenue.ky.gov](http://revenue.ky.gov)

Sincerely,



Tim Bennett, Manager  
Program Compliance Branch  
Sales & Use Tax Division  
P O Box 181  
Frankfort KY 40602  
Telephone: (502)-564-5170 Ext 4119  
Fax: (502)-564-2041